

Community improvement organizations. An organization formed to improve conditions in an area of a city where the income level is higher and housing better than in other areas of the city and whose activities include providing general information on methods of counteracting housing deterioration and ways of improving homes may qualify for exemption under section 501(c)(3) of the Code; Rev. Rul. 67-6 modified.

Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable purposes.

The organization was formed to improve conditions in a community by identifying community problems and by encouraging their resolution by community members. Membership in the organization is available to anyone living in the community. The community involved consists of an area of a city where the median income level is generally higher and where housing is generally better than in many other areas of the city.

Activities of the organization include urging community residents to clean and repair private property, encouraging realtors to use nondiscriminatory sales practices in the buying and selling of homes, providing general information on methods of counteracting housing deterioration and ways of improving homes, sponsoring alley clean-up campaigns, taking surveys to determine the adequacy of schools and recreational facilities in the area, and supporting programs directed at achieving reasonable population density standards in relation to community resources.

The organization implements its activities by distributing pamphlets and brochures to members of the community, holding open meetings, and conducting letter-writing campaigns. It does not engage as a substantial part of its total operations in legislative activities and does not support or endorse candidates for public office.

Funds of the organization are derived from voluntary contributions from its membership and from the general public, and are used to meet operating expenses.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations states that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes the promotion of social welfare by organizations designed to combat community deterioration.

By engaging in the community improvement activities described above, the organization is combatting community deterioration within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations. Such activities benefit a community in a charitable manner whether or not the community is presently in a state of decline. The community, and derivatively all those who live there, are benefitted. See Rev. Rul. 68-655, 1968-2 C.B. 213, which states that an organization engaged in activities designed to stabilize a neighborhood is combatting 'potential' community deterioration and qualifies for exemption under section 501(c)(3) of the Code.

Accordingly, the organization is operated exclusively for charitable purposes and qualifies for exemption from Federal income tax under section 501(c)(3) of the Code.

Rev. Rul. 67-6, 1967-1 C.B. 135, which concerns an organization whose purpose is to preserve the traditions, architecture, and appearance of a community for the benefit solely of residents of the community, is modified to remove any implication that preserving or improving a community does not benefit a sufficiently broad segment of the public to be charitable. So long as the community interests served by such activities are truly public in scope and not merely the private interests of a class of persons not themselves comprising a charitable class, then such activities may be deemed to confer a public community benefit that the law regards as charitable. However, the conclusion that the organization described in that Revenue Ruling is an 'action' organization within the meaning of section 1.501(c)(3)-1(d)(3)(ii) of the regulations remains in effect.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See sections 1.501(a)-1 and 1.508-1(a) of the regulations.